

Introduction

There are several ways of looking at the housing industry. One way is to delineate the various inputs and outputs and the interaction of these inputs and outputs, much like the input/output analysis used by economists. This analysis is better fit for intermediate industries where the outputs are themselves inputs for other industries. But since the outputs of the housing industry is directly consumed by the end-user, perhaps it is better to look at it as a manufacturing process, similar to the process of manufacturing a car.

The provision of housing is a complicated process, in which many actors interact at different times and with different capacities, supplying, supervising or regulating. There are individuals who play the role of consumers of housing, investors, laborers, developers, and professionals. Private institutions produce building materials and equipment, transport building materials/equipment to the construction sites, contract for construction, provide financing and insurance. Public institutions provide financing, services (roads, electricity, telephones, water, sewage) and regulate the relationships between the different actors in the housing industry. There are six main inputs that go the production of housing: land, labor, building material, finance, services, and regulations. We shall discuss each one of these in detail and study the various factors and actors that impinge on them, and propose ways to facilitate the housing production process.



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Research Problem

Before the oil boom of the 1950's Saudi lived in traditional settlements. Then, new building materials and construction technology slowly made their way into home construction. In the 1970's and 1980's Saudis were able to build modern villa with interest-free loans from the Saudi Real Estate Fund. By the year 2000 loans from the Fund became scarce, but commercial banks were not allowed to sell mortgages until 2016. Government started a program of interest subsidies, and home ownership again became easier. In the last four years, cost of land increased wildly. The cost of labor and building materials also increased substantially. Villas became out of reach of most middle class families, and apartments became a viable alternative. Apartments, in turn, became too expensive for young middle class families. Financing is the most prominent problem, but the housing industry faces many other problems such as long delays in providing utilities, and poor quality construction. Poor and low-income families need different housing policies that are beyond the scope of this paper.



Research Objectives



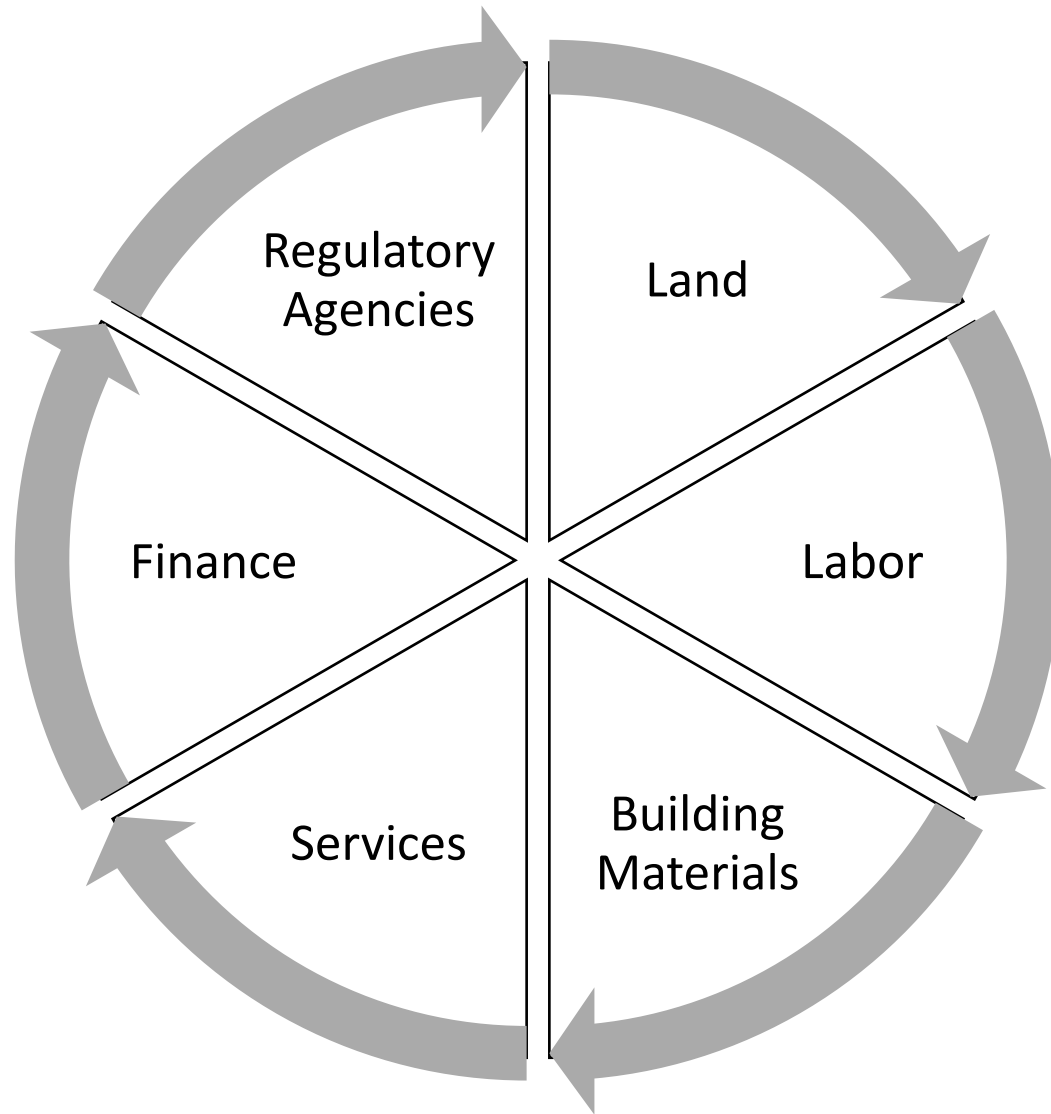
We try to identify the causes of the housing problem by considering housing production as an industry and examining its inputs and outputs and the ways they interact and affect each other. This will provide us with an insight into bottlenecks and weak spots in the production process. Then we can propose actions to resolve them.

Methodology

Input-output analysis was first introduced by Wassily Leontief (1941) in 1936. He was awarded the Nobel Prize in economics in 1973. Since then, input-output analysis has been used by economists for measuring the contribution of industrial inputs in the production of industrial outputs. It is a quantitative method that is used to study a particular industry, a regional or a national economy. In this research we use the conceptual framework of input-output analysis to produce a qualitative evaluation of the inputs and the outputs of housing production system in Saudi Arabia, by treating it as a single industry. We identify the problems associated with inputs and outputs and propose solutions for them.

Results

Housing inputs



مناقشة النتائج

Discussion

The weak links in the housing production chain are many. They include financing; provision of municipal services, particularly water and sewage; quality of housing construction, and governmental regulations regarding building construction, land use, and housing finance.

Financing is the most critical one. Only few years ago mortgage loans became legal. Still, the legal framework regarding mortgage financing needs to be simplified and expanded. Measures such as creation of a mortgage insurance scheme would reduce risk to lending institutions and thus reduce interest rate charged. Requirements for obtaining interest subsidies offered by the Ministry of Housing need to be streamlined to include unmarried persons. A recent problem that exacerbated the financing situation is the sudden increase in land prices. Decentralization of official and private sector institutions will help to stem the tide of migration to Riyadh and reduce the demand for land.

التوصيات

Recommendations

Regulations need to be updated to facilitate the procedures required to obtain various necessary permits relating to housing construction and finance. Regular review of the building code, taking into consideration public opinion is very important. Without public support, municipal regulations are not likely to be implemented properly. Municipal councils have been suspended few years ago. That deprives the public of having any influence on decisions taken by the municipalities, and reduces the level of cooperation between the municipal governments and the population. The reinstatement of municipal councils will increase compliance with the municipal regulations.



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